



# **BOARD CHARTER**

**Revised on 8 February 2021**



## **BOARD CHARTER**

### **1.0 PURPOSE**

- 1.1** This Board Charter (“Charter”) sets out the roles, responsibilities, processes and functions of the Board of Directors (“Board”) of Malaysia Marine and Heavy Engineering Holdings Berhad (“MHB” or “Company”) which reflect the corporate governance structure and practices of the MHB Group.
  
- 1.2** The Board’s roles and responsibilities are governed by the Constitution of the Company and also in accordance with the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the Malaysian Code on Corporate Governance of Securities Commission Malaysia (“MCCG”), the Capital Markets and Services Act 2007 and any other prevailing regulatory corporate governance practices and laws.

### **2.0 BOARD ROLES AND RESPONSIBILITIES**

#### **2.1. Board Composition**

- The Board ensures that its composition and size meet the requirements of the Company for effective decision making with the benefit of diverse experiences, background, knowledge and expertise. The Board also assesses the Board composition to maintain balance in the Board between Independent Directors (“ID”) and representation from major shareholders.

- The number of Directors on the Board shall at all times comply with the Constitution of the Company and other regulatory requirements that are in force.
- The Board comprises Independent Non-Executive Directors (“INED”), Non-Independent Non-Executive Director (“NINED”) and a Non-Independent Executive Director (“ED”). The composition is reviewed from time to time in accordance with the requirements of the Company. In reviewing the Board composition, the Board takes into consideration the requisite criteria covering individual merit, experience and skills, and where relevant, independence, and various aspects of diversity.

The Board is committed to uphold the Board Diversity Policy attached as Appendix to this Board Charter.

The INEDs serving on the Board shall be appointed for a tenure of three (3) years per term with a maximum of three (3) terms (i.e. maximum of nine (9) years).

The NINEDs shall be appointed for a tenure of three (3) years per term with no maximum total years of service.

The Managing Director & Chief Executive Officer (“MD & CEO”) of the Company shall be the ED on the Board of the Company for such tenure that commensurate with the MD & CEO’s tenure.

- The Company shall ensure that the Board has a balanced composition of INED and NINED in compliance with the MMLR and consistent with the needs of the Company.

## **2.2. Role of Board**

The role of the Board is to provide strategic guidance for the Company and effective oversight of Management. The key responsibilities of the Board, among others are:

- promoting together with Senior Management, good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- establishing its strategic intent, strategies and targets for the Company in line with the Company's vision, mission and business objectives which include strategies on economic, environmental and social considerations underpinning sustainability;
- overseeing and evaluating the conduct and performance of the Company and of the MD & CEO against set goals and objectives;
- establishing an effective risk management and internal control framework which includes identifying the principal risks and ensuring the implementation of appropriate systems to manage these risks;
- reviewing the Company's strategic, capital or funding transactions and monitoring execution of these transactions;
- ensuring a sound succession plan and continuous development of human capital including Senior Management;
- reviewing the adequacy and integrity of the Company's risk management framework and internal control systems;
- ensuring the integrity of the Company's financial and non-financial reporting; and
- developing and implementing an investor relations programme and effective communications policy with the stakeholders of the Company.

## **2.3 Role of Directors**

The INEDs are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgment. They ensure that the interests of all shareholders are taken into account by

the Board and that the relevant issues are given objective and impartial consideration by the Board.

The Non-Executive Directors (“NED”) do not participate in the day-to-day management of the Company and do not engage in any business transaction or other relationships with the Company so as to ensure that they exercise their independent judgment and act in the best interest of the Company.

Directors are expected to comply with their legal, statutory and equitable responsibilities when discharging their fiduciary duties as Directors. The duties of the Directors include, among others are:

- acting in good faith in the best interest of the Company;
- avoid conflict of interest with the Group in a personal and professional capacity including improper use of the property, information, opportunity of the Group or position as a Director or Officer of the Group or engaging in business which is in competition with the Group;
- disclosure of and/or abstaining from voting on matters or material personal interests;
- every Director shall devote sufficient time to carry out their duties and attend the Board and Board Committee meetings, Directors’ continuous training programme and briefings;
- every Directors must attend at least 50% of the Board meetings held in each financial year;
- every Directors must ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter; and
- all Directors must attend General Meetings including the Chairs of the Board Committees to provide meaningful response to questions addressed to them.

## **2.4 Role of Chairman**

The Chairman of the Board is a NED. The Chairman is primarily responsible to lead the Board. There is a clear division of responsibilities between the Chairman and the MD & CEO. The Chairman’s key responsibilities include:

- instilling good corporate governance practices, leadership and effectiveness of the Board;
- setting the agenda for each Board meeting together with the Company Secretary and MD & CEO;
- leading the Board and general meetings and discussions;
- encouraging active participation and allowing dissenting views to be freely expressed;
- leading the Board in setting and monitoring good corporate governance practices, values and standards in the Company;
- maintaining a relationship of trust with and between the ED and NEDs;
- facilitating the effective contribution of NEDs and ensuring constructive relations be maintained between ED and NEDs; and
- ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.

## **2.5 Role of Senior Independent Director**

The Senior Independent Director is a NED. The Board may select among its INEDs to be appointed as Senior Independent Director (“SID”). The SID’s responsibilities include:

- acting as a sounding board for the Chairman;
- acting as an intermediary for other Directors and/or Chairman when necessary;
- acting as a point of contact for shareholders and other stakeholders on areas that cannot be resolved through the normal channel of contact with the Chairman or MD & CEO; and
- to execute such other roles as designated by the Board from time to time.

## **2.6 Role of MD & CEO**

The MD & CEO is responsible for the day-to-day and overall operations of the business, organisational effectiveness and implementation of Board's strategies and policies. The MD & CEO is the conduit between the Board and Management.

All Board authorities conferred on the Management is delegated through the MD & CEO and this will be considered as the MD & CEO's authority and accountability.

The MD & CEO is assisted by the Management Committee of the Company in managing the day-to-day business.

## **2.7 Role of Board Committees**

The Board may from time to time establish Board Committees to assist in carrying out its duties and responsibilities. The following Board Committees have been established with clearly defined Terms of Reference ("TOR"):

- a) Board Audit Committee ("BAC");
- b) Nomination & Remuneration Committee ("NRC"); and
- c) Board Risk Committee ("BRC").

The Board Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their TORs which may be amended by the Board from time to time. The INEDs and NEDs play a leading role in these Board Committees. Where necessary, the Board may form additional Board Committees.

### **2.7.1 BAC**

The BAC shall comprise at least three (3) members, a majority of whom shall be INEDs. The BAC is responsible for providing oversight on the financial reporting process and internal control framework and policies as well as the Whistleblowing Policy, whistleblowing management process

and actions thereon. The roles and responsibilities of the BAC are provided in its Terms of Reference.

The Board shall appoint a Chairman of the BAC from among the Board members who shall be an INED and who is not the Chairman of the Board.

#### **2.7.2 NRC**

The NRC shall comprise at least three (3) members, a majority of whom shall be INEDs. The NRC is responsible for providing oversight on Directors' skills and experience, Board performance, Board composition and diversity, Directors' induction programme and continuous training, Directors and Senior Management remuneration, and Board and Senior Management succession planning. The roles and responsibilities of the NRC are provided in its TOR.

The Board shall appoint a Chairman from amongst its members who shall be an INED.

#### **2.7.3 BRC**

The BRC shall comprise at least three (3) members, a majority of whom shall be INEDs. The BRC is responsible for providing oversight on the risk management framework, policies and processes and determining the sustainability strategy. Additionally, the BRC is tasked to review new business ventures, non-core business projects, bids and commercial proposals above RM1.0 billion with material complexity and exposure. The roles and responsibilities of the BRC are provided in its Terms of Reference.

The Board shall appoint a Chairman of BRC from among the Board members who shall be an INED.

## **2.8 Role of Company Secretary**

The Board appoints the Company Secretary, who plays an important advisory role. The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to governance practices and compliance with laws, rules, procedures and regulations affecting the Company and the Group.

The Directors have unlimited access to the professional advice and services of the Company Secretary.

The roles and responsibilities of the Company Secretary include, but not limited to:

- managing process for all Board and Board Committee meeting logistics, attend and record minutes of all Board and Board Committee meetings and facilitate board communications;
- advising the Board on its roles and responsibilities;
- facilitating the orientation of new Directors and assist in Directors' training and development;
- advising the Board on corporate disclosures and compliance in relation to the Companies Act 2016, securities regulations and listing requirements;
- managing processes pertaining to the annual shareholders' meeting;
- monitoring corporate governance developments and assists the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
- serving as focal point for stakeholders' communication and engagement on corporate governance issues.

## **3.0 MATTERS RESERVED**

**3.1** Matters reserved for the Board are clearly defined in the MHB Limits of Authority Manual, which provides a clear demarcation between the Board and Management reserved matters, and outlines the types of transactions, thresholds and the decision making process.

## **4.0 BOARD PROCESSES**

### **4.1. Board Meetings**

The Board meets at least four (4) times annually and additional meetings are held as and when required. The quorum for a Board Meeting shall be three (3) Directors.

The mode of Board meeting shall be conducted physically through face-to-face or via telephone, video conferencing or other appropriate means as determined by the Board or by written resolution as stipulated in the Company's Constitution.

### **4.2. Board Committee Meetings**

The BAC and BRC meet at least four (4) times annually. The NRC meets at least twice (2) a year. These Board Committees may hold additional meetings as and when required.

### **4.3. Financial Reporting**

The Board aims to present a balanced and meaningful assessment of the Company's financial performance primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the BAC to oversee the Company's financial reporting process and the quality of the financial reporting.

### **4.4. Non-Financial Reporting**

Non-financial reporting by the Board is made through the annual report sections on Corporate Governance Overview Statement, Management Discussion & Analysis, Investor's Overview, Sustainability Statement and as well as other announcements by the Company on its website or press statements.

#### **4.5. Decision-making**

The Board makes decisions based on majority votes with each Director having one (1) vote. In case of an equality of votes, the Chairman shall have a second or casting vote.

#### **4.6. Monitoring**

The Board monitors the performance of the Company via the reports presented at Board and Board Committee meetings and through regular engagements with the MD & CEO and the Management from time to time.

### **5.0 BOARD FUNCTIONS**

#### **5.1. Policy & Strategy**

Policies and strategies are approved by the Board after due consideration of the various factors related to the businesses of the Company. The Board shall ensure that strategies formulated will provide guidance and input on the overall strategic direction of the Company.

#### **5.2. Ethics & Compliance**

The MHB Code of Conduct and Business Ethics (“CoBE”) which has been approved by the Board, is applicable to all employees and Directors within the MHB Group and governs the desired standard of behavior and ethical conduct expected of each individual to whom the CoBE applies. Benchmarked to international standards, CoBE together with the shared values will be the guiding principles on how the Board is expected to conduct itself in discharging its duties.

The Board has also put in place the MHB No Gift Policy which prohibits the receiving and offering of gifts to prevent corruption and unethical practice whilst the

Whistleblowing Policy provides an avenue for employees and members of the public to disclose any improper conduct within the Group.

In addition, the Board has adopted the MHB Anti-Bribery and Corruption Policy and Guidelines (“ABC Manual”) and will continue to uphold the policy and guidelines set out in the said ABC Manual.

The abovementioned policies are available at the Company’s website.

### **5.3. Risk Management and Internal Control**

The Board recognises its responsibility in identifying the principal risks affecting the Company and ensuring the implementation of appropriate plans and a sound system of risk management and internal control to manage or mitigate these risks.

The Board has adopted a Risk Governance Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management.

The BAC, via MHB Group Internal Audit, periodically reviews and/or tests the adequacy and effectiveness of the Group’s internal control system to ensure that the system is viable and robust.

### **5.4. Health, Safety, Environment and Sustainability**

The Board is committed to giving attention to strategies relating to the health, safety, security, environment and compliance with the relevant laws, rules and regulations. The Board also places emphasis on the formulation of strategies to promote sustainability.

## **5.5. Investor Relations**

The Board maintains an effective investor relations policy which promotes timely disclosure and dissemination of relevant information to and effective engagement with the shareholders and the general investing public.

The Board shall ensure there is effective, transparent and regular communication with its stakeholders to facilitate mutual understanding of each other's objectives and expectations.

## **6.0 BOARD DEVELOPMENT**

### **6.1. Succession Planning**

The NRC assists the Board in considering succession planning in its annual review of the competencies and composition of the Board to ensure leadership effectiveness and continuity.

### **6.2. Board and Directors' Assessment**

The assessment on the performance of the Board as a whole and individual Directors is undertaken on an annual basis. A professional, experienced and independent expert(s) is to be engaged to facilitate the Board evaluation assessment, whenever the Board deems fit and necessary.

The Board assessment will be disclosed in the annual report as required under the MMLR and the MCCG.

### **6.3. Directors' Remuneration**

The remuneration for NEDs is generally determined based on industry practice and at levels which reflect the demand, skills, contributions and degree of responsibilities of the Directors as well as the performance of the Company.

#### **6.4. Directors' Training and Development**

Directors are encouraged to attend relevant training programmes to ensure they remain well equipped with the necessary developments and knowledge. In-house trainings customised to suit the needs of the Directors will be organised as part of the Directors' continuing education programme. Directors are also regularly updated by the Company Secretary on relevant new regulation.

#### **7.0 AMENDMENTS**

**7.1** This Charter may be amended by the Board, when necessary, to ensure it remains consistent with the Board's objectives and relevant to the current laws and practices.

**7.2** This Board Charter has been amended and approved by the Board on 8 February 2021.

## Appendix 1

### **MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD**

#### **Board Diversity Policy**

Malaysia Marine and Heavy Engineering Holdings Berhad is committed to ensuring the requisite diversity of our Board members, encompassing for example, age, ethnicity and gender, and leveraging on differences in thought, perspective, knowledge, skill, regional and industry experience, and background. These will provide the necessary perspectives, experience and expertise required to achieve effective stewardship and management of the Company by the Board.

The Board maintains the pursuit of its target of 30% women directors in line with the country's aspirational target of 30% representation of women directors.